

**OFFICIAL OPERATING BUDGET
FISCAL YEAR 2012**

**APPENDIX B
THE BUDGET PROCESS**

OFFICIAL OPERATING BUDGET FISCAL YEAR 2012

The Mayor-Council Act of 1955 (as amended) outlines the procedures to be followed in developing and adopting the annual operating and capital budgets for the City of Birmingham. The relevant sections of the Mayor-Council Act are enumerated here. It should be noted that legally adopted annual budgets are not required for special Revenue and Capital Projects funds. Budgets for these funds are approved by the City Council on an individual project basis. Formal budgetary integration is employed for the General fund as a management control device. Such integration is not deemed necessary for Debt Service Funds because effective budgetary control is alternatively achieved through the general obligation indenture provisions. A budget calendar for FY 2011 – 2012 is appended at the end of this section.

THE BUDGET PROCESS (SUMMARY)

1. The fiscal year for the City of Birmingham begins on July 1 and ends on June 30.
2. On or before May 20, the Mayor submits to the City Council a proposed General Fund Operating Budget for the fiscal year commencing the following July 1. The General Fund Operating Budget includes proposed expenditures and sources of revenue.
3. A public hearing is conducted to obtain taxpayer comments.
4. Prior to July 1, this budget legally enacted through passage of an ordinance.
5. The Mayor is authorized to transfer budgeted amounts within departmental appropriations within a fund. However, any revisions that alter the total expenditures for any fund or transfers funds between departments or between approved capital projects must be approved by the City Council.
6. Adopted budgets for the General Fund are consistent with generally accepted accounting principles (GAAP) except that budgets and budgetary schedules included are prepared using encumbrance accounting under which purchase orders, contracts and other commitments for the expenditure of monies are recorded. At the end of the fiscal year, unencumbered appropriations of the General Fund automatically lapse. Appropriations for capital improvement projects do not lapse until the project has been completed or abandoned.
7. The adopted General Fund budget is allocated to each department or agency of the City as provided in the Mayor-Council Act. Total expenditures may not exceed appropriations unless the City Council amends the budget due to increased revenues or through a reduction of fund balance. The City Council has the authority to amend the budget as needed throughout the year provided adequate funds are available at the time of the amendment.

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THE BUDGET PROCESS (DETAIL)

ARTICLE V (MAYOR-COUNCIL ACT)

Adopted by the Alabama legislature, September 9, 1955 Act No. 452

Sec. 5.01 Fiscal Year

The fiscal year of the city government shall begin on the first day of July and shall end on the last day of June of each calendar year. Such fiscal year shall also constitute the budget and accounting year.

Sec. 5.02 Submission of Budgets

On a day to fixed by the council but no later than the 20th day of May in each year, the mayor shall submit to the council: a separate current revenue and expense budget for the general operation of the City government, to be known as the "general fund budget"; a capital budget; and a budget message.

Sec. 5.03 Preparation of Budgets

It shall be the duty of the head of each department, and each other office or agency supported in whole or in part by the city, to file with the director of finance, at such times as the mayor may prescribe, estimates of revenue and expenditure for that department, office or agency for the ensuing fiscal year. Such estimates shall be submitted on the forms furnished by the director of finance and it shall be the duty of the head of each such department, office or agency, to supply all the information which the director of finance may require to be submitted thereon. The director of finance shall assemble and complete these estimates and supply such additional information relating to the financial transactions of the city as may be required by the mayor in the preparation of the budgets. The mayor shall hold hearings as he may deem advisable and with the assistance of the director of finance shall review the estimates and other data pertinent to the preparation of the budgets and make revisions in estimates as he may deem proper, subject to the laws of the State of Alabama and any municipal ordinance relating to obligatory expenditures for any purpose.

Sec. 5.04 Scope of General Fund Budget

The general fund budget shall be prepared in accordance with accepted principles of municipal accounting and budgetary procedure and techniques, and shall show:

- (a) Such portion of the general fund cash surplus estimated to exist at the end of the current fiscal year, and is proposed to meet expenditures in the general fund budget for the ensuing year;

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- (b) an estimate of the receipts from current ad valorem taxes on real estate and tangible property during the ensuing fiscal year;
- (c) an estimate of receipts from all other sources of revenue. If additional revenue is to be derived from the state, the amount fixed by the mayor shall not exceed the amount which the proper state official shall certify in writing to be the reasonable expectation of receipts from such source;
- (d) a statement to be furnished by the director of finance of the debt service requirements for the ensuing year.
- (e) an estimate of the general fund cash deficit, if any, at the end of the current fiscal year any other obligations required by law to be budgeted for the ensuing fiscal year.
- (f) an estimate of expenditures and appropriations for all other purposes to be met from the general fund in the ensuing fiscal year. All the estimates shall be in detail showing receipts by sources and expenditures by operating units, character and object, so arranged to show receipts and expenditures as estimated for the current fiscal year and actual receipts and expenditures for the last preceding year, in comparison with estimated receipts and recommended expenditures for the ensuing fiscal year.

Sec. 5.05 A Balanced Budget

In no event shall the expenditures recommended by the mayor in the general fund budget exceed the receipts estimated, taking into account the estimated cash surplus or deficit at the end of the current fiscal year. Unless the mayor shall recommend an increase in or levy of new or increased taxes or licenses within the power of the city to levy and collect in the ensuing fiscal year, the receipts from which, estimated on the basis of the average experience with the same or similar taxes during the three (3) full tax years last past, will make up the difference.

Sec. 5.06 A Budget Message

The budget message shall contain the recommendations of the mayor concerning the fiscal policy of the city, a description of the important features of the budget plan, an explanation of all salient changes in each budget submitted, as to estimated receipts and recommended expenditures as compared with the current fiscal year and the last preceding fiscal year, and a summary of the proposed budget.

Sec. 5.07 Availability of Budgets for Inspection and Publication of the Budget Message

The mayor shall cause the budget message to be printed, mimeographed or otherwise reproduced for general distribution at the time of its submission to the council. Sufficient

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copies of the proposed general fund and capital budgets shall be supplied to each council member and each daily newspaper of general circulation published in the city. Two (2) copies are to be deposited in the office of the city clerk where they shall be open to public inspection during regular business hours.

Sec. 5.08 Publication of Notice of Public Hearing

At the meeting of the council at which the budget and budget message are submitted, the council shall determine the place and time of the public hearing on the budget, and shall cause to be published a notice of the place and time, not less than seven (7) days after the date of publication, at which the council will hold a public hearing. The council shall hold a public hearing on the budget as submitted, at which time any citizen of the city shall be given an opportunity to be heard, for or against the estimates or any item thereof.

Sec 5.09 Action by the Council on the General Fund Budget

After the public hearing the council may insert new items of expenditures or may increase, decrease or strike out items of expenditures in the general fund budgets, except that no item of expenditure for debt service or any other item required by this act or other provision of law shall be reduced or stricken out. The council shall not alter the estimates of receipts contained in said budgets except to correct omissions or mathematical errors and it shall not cause the total expenditures as recommended by the mayor to be increased without a public hearing on such increase, which shall be held not less than three (3) days after notice thereof by publication in a newspaper of general circulation published in the city. The council shall in no event adopt a general fund budget in which the total of expenditures exceeds the estimated receipts and available surplus, unless at the same time it adopts measures for providing additional revenue in the ensuing fiscal year, sufficient to make up the difference.

Sec. 5.10 Adoption of General Fund Budget

By the 20th day of June of the current fiscal year, the council by a majority vote, shall adopt the general fund budget, and such ordinances providing for additional revenues as may be necessary to put the budget in balance. If for any reason the council fails to adopt the general fund budget on or before such day, budget continuation is invoked (Section 5.21)

Sec 5.11 Effective Date of Budget; Certification; Copies Made Available

Upon final adoption, the budget shall be in effect for the budget year. A copy of the budget, as finally adopted, shall be certified by the mayor and city clerk and filed in the office of the director of finance. The budget so certified shall be printed, mimeographed or otherwise reproduced and sufficient copies thereof shall be made available for the use of all offices, departments and agencies for the use of citizens of the city who request a copy.

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Sec. 5.13 Work Plan and Allotments

Before the beginning of the fiscal year, the head of each department, office, and agency shall submit to the mayor a work program which shall show the requested allotments of the appropriations for such department, office or agency for the entire fiscal year by monthly or quarterly periods as the mayor may direct. The aggregate of such allotments shall not exceed the total appropriation available to each such department, office or agency for the fiscal year. An approved allotment may be revised during the fiscal year in the same manner as the original allotment was made.

Sec. 5.14 Transfers of Appropriations

The mayor may at any time authorize, at the request of any department, office or agency, the transfer of any unencumbered balance or portion thereof in any general fund appropriation from one classification of expenditure to another within the same department, office or agency. At the request of the mayor, the council may by resolution transfer any unencumbered balance or portion thereof in any general fund appropriation from one (1) department, office or agency to another.

Sec. 5.15 Additional Appropriations

Appropriations in addition to those contained in the original general fund budget ordinance, may be made by the council by not less than five (5) affirmative votes, but only on the recommendation of the mayor and only if the director of finance certifies in writing that there is available in the general fund a sum unencumbered and unappropriated sufficient to meet such appropriation.

Sec 5.16 Emergency Appropriations

At any time in any budget year, the council may make emergency appropriations to meet a pressing need for public expenditures for other than a regular or recurring requirement, to protect the public health, safety or welfare. Such appropriation may be made by the council, by not less than five (5) affirmative votes, but only on the recommendation of the mayor. The total of all emergency appropriations made in any budget year shall not exceed five (5) per centum of the total general fund operating appropriation made in the budget for that year.

Sec 5.17 Appropriation to Lapse

Any portion of an appropriation remaining unexpended and unencumbered at the close of the fiscal year shall lapse.

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Sec 5.18 Capital Budget

At the same time that he submits the general fund budget, the mayor shall submit to the council a capital improvement program covering all recommended capital improvement projects, for the ensuing fiscal year and for the four (4) fiscal years thereafter, with his recommendation as to the means of financing the improvements proposed for the ensuing fiscal year. The council shall have power to accept with or without amendments or reject the proposed program and proposed means of financing for the ensuing fiscal year; and may from time to time during the fiscal year amend by ordinance, by at least five (5) affirmative votes, the program previously adopted by it, or the means of financing the whole or any part thereof or both, provided that the amendment shall have been recommended by the mayor, and further, provided such additional funds are available in the general fund or any other fund of the city available therefore. The council shall adopt a capital budget prior to the beginning of the fiscal year in which the budget is to take effect. No appropriations for a capital improvement project contained in the capital budget shall lapse until the purpose for which the appropriation was made shall have been accomplished or abandoned, provided that any project shall be deemed to have been abandoned if three (3) fiscal years lapse without any expenditure from or encumbrance of the appropriation therefore. Any such lapsed appropriation shall be applied to the payment of any indebtedness incurred in financing the project concerned and if there be no such indebtedness shall be available for appropriation.

Sec 5.19 Certification of Funds; Penalties for Violation

No payment shall be made and no obligation incurred by or on behalf for the city except in accordance with an appropriation duly made and no payment shall be made from or obligation incurred against any allotment or appropriation unless the director of finance shall first certify that there is a sufficient unexpended and unencumbered balance in such allotment or appropriation to meet the same. Every payment made in violation of the provisions of this act shall be deemed illegal and every official who shall knowingly authorize or make such payment or knowingly take part therein and every person who shall knowingly receive such payment or any part thereof shall be jointly and severally liable to the city for the full amount so paid or received.

Sec 5.20 Reserve Permanent Public Improvements

The council may, by ordinance, establish a reserve fund for permanent public improvements and may appropriate thereto any portion of the general fund cash surplus not otherwise appropriated at the close of any fiscal year. Appropriations from the fund shall be made only to finance improvements included in the capital budget.

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Sec 5.21 Budget Continuation

Any official adopted budget in existence at the time that the council is first organized, shall continue in force and effect during the balance of the city's then fiscal year, or until such time as the mayor may submit to the council and the council adopts, an amended, altered or revised budget for the balance of said fiscal year.

Sec 5.22 Budget Summary

At the head of the budget there shall appear a summary of the budget, which need not be itemized further than by principal sources of anticipated revenue, stating separately the amount to be raised by property tax, and kinds of expenditures itemized according to departments, doing so in a manner as to present to the taxpayers a simple and clear summary of the detailed estimates of the budget.

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BUDGET CALENDAR

Mayor presents FY 2012 Budget Calendar to City Council	Monday, February 28, 2011
Operating and Capital Budget request forms sent back to the Budget Office	Wednesday, March 2, 2011
Budget Office Review of Departmental Requests	Wednesday, March 2, 2011 thru Friday, March 4, 2011
Departmental Budget Hearings	Wednesday, March 9, 2011 thru Friday, March 11, 2011
Budget Office prepares summaries of departmental requests	Monday, March 14, 2011 thru Wednesday, March 23 2011
Budget Summaries presented to Finance Director	Thursday, March 24, 2011
Finance Director adjustments due	Monday, March 28, 2011
Preview revenue and expense projections with Mayor's Chief of Staff and develop strategy to balance the budget	Wednesday, March 30, 2011
Preliminary Operating and Capital Budget Forecast presented to Mayor's Office	Wednesday, March 30, 2011
Mayor's Office Recommendations Due	Friday, April 8, 2011
Mayor meets with Council President and Council Finance Committee Chairman	Monday, April 18, 2011
Mayor's Budget Message Due	Wednesday, April 27, 2011
Documents due in Print Shop	Monday, May 2, 2011
Mayor's presents Proposed Operating and Capital Budgets to City Council	Tuesday, May 3, 2011
Notice of Public Hearing advertised	Wednesday, May 4, 2011 thru Friday, May 6, 2011
Public Hearing before the City Council	Wednesday, May 11, 2011
City Council Workshops	Wednesday, May 18, 2011 thru Saturday, June 11, 2011
City Council's Budget changes due to Mayor's Office	Wednesday, June 15, 2011
Budget Adoption Ordinances due to City Clerk's Office	Wednesday, June 21, 2011
Adoption of Operating and Capital Budgets by City Council	Tuesday, June 28, 2011
Beginning of FY 2011 - 2012	Friday, July 1, 2011

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